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ABSTRACT

A study examined whether the state and federal performance standards for Job Training Partnership Act (JTPA) programs have influenced Service Delivery Area (SDA) and service provider decisions about program design and implementation practices in ways that have affected the clients served, the types of services provided, and the costs of the services. Only a few SDAs appeared to give priority to their performance goals at the expense of other program objectives. It was only in those SDAs without well-defined client or service goals that performance standards had notable unintended effects. A great deal of variation was found in the way states have chosen to use their authority to establish JTPA performance standard policies and to set priorities for the types of clients served. States that established target groups for JTPA programs did influence SDAs to enroll more hard-to-serve clients. There was no evidence to suggest that federal standards for the entered employment rate and wage rate for adults generally had unintended effects on clients or services. On the other hand, federal cost standards did have a number of unintended effects and were the least comparably measured of all federal performance measures. (MN)

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JTPA PERFORMANCE STANDARDS

Effects on Clients, Services, and Costs

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Section 106(f) of the Job Training Partnership Act states "The National Commission for Employment Policy shall ... evaluate the usefulness of ... standards as measures of desired performance, and evaluate the impact of ... standards (intended or otherwise) on the choice of who is served, what services are provided, and the cost of such services in service delivery areas."

EVALUATION OF THE EFFECTS OF JTPA PERFORMANCE STANDARDS ON CLIENTS, SERVICES, AND COSTS

Executive Summary

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September 1988

TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES

The National Commission for Employment Policy (NCEP) is pleased to present to you this Executive Summary of our major research study entitled, *Evaluation of the Effect of JTPA Performance Standards on Clients, Services, and Cost.* This is the first national evaluation of a cornerstone of the Job Training Partnership Act (JTPA)—the implementation of clear, measurable program goals that exemplify "the return on investment" strategy upon which the entire program is built. In fact, Congress itself believed that performance standards were of such importance that it mandated an evaluation of their impact in the enabling legislation. Section 106(f)(2) of the Act directs the Commission to "evaluate the impact of such standards (intended or otherwise) on the choice of who is served, what services are provided, and the cost of such service in service delivery areas."

I believe this report is one of the major contributions of my tenure as Chairman of the Commission. Contractors working on the study, SRI International and Berkeley Planning Associates, are to be commended for their superb job of gathering and analyzing the diverse and complicated data. As one of our reviewers notes "this is a tremendously valuable piece of work, breaking new ground in national studies." I am confident you will agree that the findings detailed are very useful, having implications that go well beyond the performance management system and beyond JTPA. Many of the findings can be helpful when enacting legislations for other human resource programs.

The Commission believes that programmatic performance standards have been a successful strategy to focus the management of JTPA toward the goals of the legislation—finding productive employment for disadvantaged people. This not to say that no adjustments are needed to improve the performance management system; however, we feel that, overall, the performance management system is having its intended effect of guiding JTPA resources toward meaningful investment in the Nation's most precious resource—its human capital.

At this time, I am transmitting only the Executive Summary to you. It contains an overview of the study, major findings, and some of the specific findings. In addition, the Commission is pleased to have the opportunity to present you both general and specific recommendations that we feel would make the performance management system even more valuable to the Nation's largest job training system. Should you, or your staff, be interested in the full report, I would be happy to forward it to you.

Sincerely,

Gertrude C. McDonald

Gertrude C. McDonald
Chairman

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PREFACE

This Executive Summary is a departure from the traditional abstract of research report published by the National Commission for Employment Policy. This extended Executive Summary is provided for the reader who may not have the time or inclination to review the entire report with its appendices.

The Executive Summary is divided into six sections. The first section provides an overview of the role of performance standards in JTPA. Next, the paper presents the objectives of the study. Major findings are summarized in the third section with detailed findings presented in the fourth part of the summary. The fifth section includes the implications of the findings from the perspective of the authors of the report. Finally, the recommendations of the Commission for changes to the performance management system are presented.

The Commission hopes that the Executive Summary provides a flavor of the valuable information contained in the complete report. Many individuals interested in JTPA and the effect of performance standards will also want to read the full report, which contains extensive information from the case studies and the quantifiable factors shown to influence who is served in JTPA, the type of services received, and the cost of such services. The full report and the appendices are available free of charge from the Commission.

ACKNOWLEDGMENTS

The National Commission for Employment Policy wishes to thank the many individuals who contributed to this report. First, we are grateful to the the Service Delivery Area (SDA) Directors and their staff who completed the lengthy director's questionnaire and the fiscal questionnaire, without which the thorough analysis would not have been possible. State staff were also exceptionally cooperative in furnishing our contractors with copies of their policies and procedures relating to their performance management systems, enabling us to obtain information from all 50 States.

Special appreciation must go to the performance management staff in the States of California, Maryland, Missouri, Massachusetts, Missouri, New Mexico, New York, North Carolina, and Ohio and to the State Job Training Coordinating Council staff in those States for spending time with our contractors during the site interviews. Although we agreed not to identify the SDA staff, Private Industry Council members, and local service providers who were interviewed for this report to maintain their anonymity, we owe them particular gratitude for allowing our contractors to obtain so much useful information from them about the way JTPA operates in their areas and the manner in which performance standards impact on their programs.

The Commission would like to acknowledge a very able expert panel who reviewed the initial design of the evaluation as well as made extensive, thoughtful comments on the final report. John Raisian of the Hoover Institute, Carl Simpson of Western Washington University, and John Wallace of the Manpower Demonstration Research Corporation spent numerous hours providing assistance both at the beginning and end of the project. Their comments were insightful and enabled the final product to be both technically sound and useful for both JTPA evaluators and practitioners.

Staff of the Department of Labor were very cooperative in ensuring that we had access to various data sources and in providing comments on the final report. Karen Greene and her staff within the Division of Adult and Youth Performance Standards deserve special thanks for their assistance.

Finally, special appreciation to the Pinellas County Private Industry Council in Clearwater, Florida for the use of their logo for the cover of this report.

Executive Summary

Role of Performance Standards in the JTPA Title II-A Program

Performance standards are an integral part of the Job Training Partnership Act (JTPA) programs operated under Title II-A. The standards implemented during the first 5 years of program operation [Transition Year 1984 through Program Year 1987(PY 87)] were intended to further a variety of Federal program priorities. These included

- To hold service delivery areas (SDAs) accountable for program outcomes,
- To encourage the achievement of quality employment outcomes,
- To encourage the achievement of cost-effective outcomes,
- To create an incentive for effective management by local program administrators, and
- To foster acceptance of the program by the business community.

The focus on accountability and the concern with outcome measures—rather than process measures—were new to employment and training programs. The performance standards grew out of the legislative goal of "measuring the return on the JTPA program investment" in terms of increases in the employment and earnings of economically disadvantaged individuals and reductions in welfare dependency. Although not intended to be an accurate measure of net program impacts, the performance standards are used to indicate the extent to which individual SDAs are managing their resources in order to achieve important program outcomes.

Starting in PY 88, several additional performance standards have been implemented, including measures of the participants' status 3 months after leaving the JTPA program. The new post-program standards are intended to provide greater emphasis on the objective of improving job retention and longer term employability of participants than do the current measures, which measure the immediate employment status of participants on leaving the program.

The Federal Role in Performance Standards

Although the performance standards are one expression of Federal goals for the JTPA programs, the performance-standards system has been carefully designed to minimize the day-to-day Federal role in local program direction and administration. The JTPA system is highly decentralized, enabling local Private Industry Councils (PICs) and SDAs to design programs relevant to the needs and employment opportunities in their local areas. In particular, the local agencies are given wide discretion in the types of program services provided and the types of clients served.

The Federal role in influencing the recruitment and selection of JTPA clients is limited to several requirements in the legislation: (1) at least 90% of the enrollees be economically disadvantaged, (2) recipients of Aid to Families with Dependent Children (AFDC) and high school dropouts receive an equitable share of JTPA services, and (3) 40% of all JTPA service dollars be expended for services to youth.

The Federal role in determining the types of program services provided is even more limited, allowing SDAs substantial discretion in designing their JTPA service mix. Although public service employment is not an allowable service and expenditures on supportive services are restricted (limiting the ability of SDAs to offer stipends to classroom training participants), a broad range of services is permitted by the JTPA legislation and Federal program regulations.

Consistent with the limited Federal role in designing the JTPA program, the intention of Federal performance-standards policies is to foster accountability and cost-effectiveness without undue influence on SDA design decisions. The Federal performance-standards policies include the choice of measures, the numerical level at which the standards are set, and the provision of optional models for adjusting standards.

Careful effort went into choosing Federal performance measures that would not constrain SDAs in their decisions about whom to serve and what services to offer. The numerical level of most Federal standards is set at a "minimally acceptable" level so that SDAs could generally meet their standards without distorting their program designs. The adjustment models developed for the Federal standards are intended to ensure the "neutrality" of the standards with respect to decisions about client targeting and to "hold harmless" SDAs that choose to serve more difficult clients through downward adjustments to the numerical levels of their standards.

The State Role in Performance Standards

States can play a very visible and important role in the JTPA program as a whole and in the performance-standards system in particular. Specifically, States are responsible for setting the levels of standards for SDAs. States decide whether or not to use the Department of Labor's (DOL) adjustment model to set SDA standards and make adjustments beyond the model to those standards. States may also develop and implement additional performance standards to further State program goals and priorities and may decide how to weight the different State and Federal standards in making incentive awards. States also determine what portion of the 6% funds will be used for technical assistance to SDAs, what portion will be used for incentive awards to SDAs that exceed the standards, and what portion will be used for incentives to serve the hard to serve. States determine whether the incentive awards will encourage performance that just exceeds the standard level or whether there will be a strong financial incentive for SDAs to perform at the highest level possible. Finally, States determine policies to sanction SDAs that fail to meet their standards.

Although the Federal performance-stand-

ards system was designed to encourage SDA discretion about who to serve and what services to offer, State governments are encouraged to use the performance-standards system to further State client and service priorities. Some States have welcomed the opportunity to take a leadership role in these areas, while other States have decided to play a less active role and defer to the preferences of local SDAs.

The SDA and PIC Role in Performance Standards

SDAs, with guidance from PICs, have the responsibility for actually implementing JTPA programs and for making major program-design decisions about service and client mix. In making these decisions, SDAs try to balance the influence of local goals, their assessment of local conditions, the performance-standards incentives offered by the State, and the State and Federal program regulations. SDAs are also motivated to perform well on the performance standards for a number of reasons, including the desire to (1) run cost-effective programs that achieve high-quality outcomes, (2) appear to be accountable to local elected officials and private sector representatives on the PIC, (3) avoid reorganization as a consequence of failing to perform at acceptable levels for 2 years in succession, and (4) receive incentive awards.

SDA and PICs may respond to performance-standards incentives in three key areas of program design: (1) decisions about the types of clients to serve and procedures to recruit and enroll clients; (2) decisions about the types of services to provide and the length of those services; and (3) decisions about how to provide services, including the choices of service providers, type of contract, and contract terms.

Objectives of the Study and Key Policy Questions

The National Commission for Employment Policy (NCEP) has funded a comprehensive evaluation of several important issues, in keeping with its legislative mandate to advise the Secretary of Labor on the development of the JTPA performance standards and to evaluate the impact of standards on the choice of who is served, what services are provided, and the cost of such services at the local SDA level (Section 106 (f)). The overall goal of the study is to assess whether the performance standards have influenced SDA and service-provider decisions about program design and implementation practices in ways that have affected the clients served, the types of services provided, and the costs of the services.

The study is not a detailed assessment of whether the performance standards have resulted in an increase in JTPA program productivity and cost-effectiveness. Rather, the study's purpose is to test whether the incentives created by the performance-standards system have caused SDAs to emphasize measured performance objectives at the expense of unmeasured or unrewarded objectives that are also valued. In particular, the goal is to determine whether emphasis on the performance standards as a vehicle for program management has led SDAs to avoid serving more difficult clients or to reduce the intensity of services offered, which in turn may have affected the types of participants who could benefit from the program.

The evaluation was intended both to determine the effects of performance-standards policies and to investigate how those effects come about. Thus, the evaluation was designed to meet several goals. First, the study was designed to assess the effect of the overall Federal performance-standards system on SDA and service-provider behavior. Our examination of the Federal performance-standards system distinguished among the effects of (1) the kinds of performance measures selected, (2) the level at which performance expectations were set, and (3) the adequacy of the adjustment model in holding

SDAs "harmless" for their client and service choices.

Second, the study was designed to assess how various State performance-standards policies and procedures have affected SDA and service-provider behavior and how these effects have influenced the clients served, the services provided, and the costs of the services. This evaluation distinguished the effects of several aspects of State policies, including (1) choices about procedures to adjust standards, (2) policies for serving hard-to-serve clients, and (3) policies for awarding incentives for good performance and sanctioning for poor performance payments.

When we found evidence that performance standards did appear to be influencing the clients, services, or costs, the study was designed to explore how and why those influences occurred and whether the influences were intended (for example, causing SDAs to serve hard-to-serve clients and to offer services that will make a difference in the long run) or unintended (for example, causing SDAs to serve fewer hard-to-serve clients or to offer less intensive services).

Finally, the study was designed to generate suggestions for refining the performance-standards system so that any undesirable impacts of performance standards can be prevented in the future.

Major Findings

Local Response to Performance Standards

The JTPA legislation gives authority to SDAs to design programs to meet local needs. Consistent with this intent, this evaluation found dramatic differences among SDAs in the design and operation of JTPA programs, and many of these differences affected clients, services, and costs. Although performance-standards policies did affect some SDA design decisions, many elements of local JTPA design reflected local conditions and constraints beyond the control of the SDA. The local unemployment rate in particular had a strong influence on the type of clients in JTPA programs. In tight labor markets, most of the clients interested in JTPA programs were those who had little work experience or major barriers to employment, often requiring basic skills remediation. In contrast, in areas with high unemployment, individuals seeking JTPA services generally had more job skills and required help in retraining for new industries or occupations. The local availability of service providers and of alternative services also affected the types of services that were offered through JTPA programs, resulting in notable differences between urban and rural SDAs.

Within the local context, we also found substantial variation in program design that reflected SDAs' choices of goals for the JTPA program. Generally, we found SDAs to be influenced by three different objectives: (1) commitment to serving specific types of clients; (2) commitment to responding to local employer needs and interest; and (3) commitment to achieving specific levels on JTPA performance standards. The relative emphasis that SDAs placed on these three objectives varied a great deal.

To the extent that SDAs stressed client objectives, they tended to design program services appropriate to the needs of those clients and to choose management practices to ensure achievement of their client goals. To the extent that SDAs stressed employer needs, they gave priority to designing and implementing a service mix to train individuals for the more highly skilled jobs and enrolled participants appropriate for that training.

In general, most client-oriented and employer-oriented SDAs were able to meet their performance goals without major revisions to their other goals. In conjunction with clearly identified client and service goals, performance standards appeared to have their intended effects of increasing efficiency and accountability.

This evaluation found only a few SDAs that gave priority to their performance goals (generally goals of maximizing incentive awards) at the expense of other program objectives. Only in those SDAs without well-defined client or service goals did performance standards have notable unintended effects. In a vacuum, performance standards can produce unintended effects of reducing service to the hard to serve and decreasing the intensity of services.

Effects of State Policies

The JTPA legislation gives considerable authority to the States, both to establish performance-standards policies and to set priorities for the types of clients to be served in JTPA programs. There is a great deal of variation in how States have chosen to use that authority. This evaluation examined how SDAs responded to these differences in State policies.

We found that States can provide an effective leadership role in setting client priorities for JTPA programs. States that established target groups for JTPA programs did influence SDAs to enroll more hard-to-serve clients. Often States used performance-standards policies to convey their client priorities, including setting State standards for service to target groups or using 6% funds for service to those groups. States that used the optional DOL adjustment models, which adjust standards for the types of clients served, also influenced SDAs to enroll more hard-to-serve clients.

Some of the ways that States have used their authority in establishing performance-standards policies have had unintended effects. In particular, incentive policies that emphasize exceeding standards rather than simply meeting standards tend to reduce service to some hard-to-serve groups and reduce the amount of basic skills remediation services. Emphasis on exceeding standards seems to have institutionalized sometimes intense competition among SDAs and conveyed the message that "cheaper is better." The effects of these policies, however, are not large and affect SDA choices at the margin.

Effects of Federal Policies

Federal performance-standards policies are intended to be neutral with respect to the types of clients served. They are intended to guide SDAs to choose cost-effective services but not to reduce local flexibility in designing services appropriate to local needs. This evaluation found that the Federal standards for the entered-employment rate and wage rate for adults generally did not have unintended effects on clients or services. Furthermore, no evidence showed that the welfare entered-employment-rate standard inhibited service to welfare recipients.

The Federal cost standards, however, had the most unintended effects and were the least comparably measured of all the Federal performance measures. This evaluation found that SDAs in States that placed more weight on the Federal cost standard tended to serve fewer hard-to-serve clients and that SDAs concerned about exceeding the cost standards tended to design less-intensive services. At the same time, this evaluation found serious measurement problems with the cost standards. We found large differences in the extent to which SDAs were leveraging JTPA funds, either by using funds from other programs to help fund JTPA Title II-A programs or by using service providers that had alternative funding sources. As a result, it is difficult to compare the cost of services received by JTPA participants across SDAs.

There was also considerable confusion among SDAs in how to manage youth programs to meet all the youth standards. Because the goals of in-school and out-of-school programs were so different, SDAs that emphasized one type of service often found it difficult to meet at least one youth standard. Thus, the Federal youth standards tended to constrain SDA choices about serving in-

school versus out-of-school youth.

Summary

This evaluation found that performance-standards policies can influence SDAs' choices about clients, services, and costs. Some effects are the intended results of State leadership in setting priorities for the JTPA program; some effects are the unintended results of State and Federal policies that tend to reduce service to hard-to-serve groups or reduce the intensity of service. The unintended effects, however, are neither large nor inevitable. Performance standards do not preclude SDAs from enrolling hard-to-serve clients or from providing intensive services but do affect some SDA tradeoffs at the margin. Furthermore, there is substantial variation in how SDAs choose to react to standards. Most SDAs can meet their performance goals without major revision to their client and service goals. Only in SDAs without client or employer goals do performance standards have substantial unintended effects.

Detailed Findings

Overview of Evaluation Design

To conduct a comprehensive and thorough evaluation of performance standards, this study was composed of two components, a quantitative evaluation based on surveys of all States and SDAs and a qualitative evaluation based on indepth case studies of 8 States, 30 SDAs, and 87 service providers.

The quantitative evaluation examined whether differences in State performance-standards policies affected SDAs' choices about the types of clients to be served, the services provided, or the program costs. This analysis provided objective, statistically valid evidence of the impacts of State performance-standards policies for the system as a whole. The analysis also examined the influence of SDA enrollment criteria and service-provider arrangements on clients, service, and costs.

Data for the quantitative component was obtained from the following sources:

- Review of all State performance-standards policies for PY 86 to determine incentive and sanction policies, adjustment procedures, additional State performance standards, and policies for serving the hard to serve.
- Survey of all SDA directors to obtain information on PIC and local elected official (LEO) concerns and influence, intake procedures, enrollment criteria, and service-provider arrangements. (The response rate to this survey was 87%.)
- Survey of fiscal/management information system (MIS) staff to obtain information on resources, expenditures, and number of participants receiving services in various program activities in PY 86. (The response rate to this survey was 74%.)
- Census data on the characteristics of the eligible population in each SDA as well as other published data on local characteristics, including the unemployment rate, percentage of population with income below poverty, population density, and area wage levels.
- JTPA Annual Status Report (JASR) data on the characteristics of individuals served in JTPA programs and program expenditures for PY 86.

The analysis estimated the impacts of State policies and SDA practices on clients, services, and costs, controlling for characteristics of the local economy and of the local eligible population.

The second component of this evaluation was a qualitative analysis, based on indepth case studies that included extensive onsite interviews and observations. The purpose of this component was to explore the influence

of Federal performance-standards system on States and SDAs and to supplement the quantitative analysis in understanding the extent to which State performance-standards policies influenced SDAs. The qualitative analysis also examined the mechanisms by which performance-standards policies affected clients, services, and costs and identified how performance standards interacted with other influences in determining State, SDA, and service-provider behavior.

The qualitative component was based on a sample of 30 SDAs and 87 service providers in 8 States. Although necessarily limited in number, these agencies were chosen to be as representative as possible of the JTPA system as a whole.

- The eight States included California, Maryland, Massachusetts, Missouri, New Mexico, New York, North Carolina, and Ohio. These States were chosen on a random basis that also ensured variation in State performance-standards policies and geographic region.
- The 30 SDAs were selected, 4 within each State (except in New Mexico, where 2 of the 3 SDAs were selected), on a random basis that also ensured variation in SDA performance relative to their model-adjusted standards.
- Eighty-seven service providers were chosen, approximately three per SDA. These providers were selected purposively to ensure variation in the type of provider, type of service, and type of contract.

Extensive interviews were conducted with State Job Training Coordinating Councils (SJTCC) and agency staff at the State level, with PIC representatives, SDA directors, and staff at the SDA level, and with program administrators and direct service staff at the provider level.

Results from the Quantitative Analysis

The quantitative analysis identified how variations in State performance-standards policies have affected the clients, services, and costs of local JTPA programs. The quantitative analysis traced the effects of State performance-standards policies in two ways. First, we measured the total effects of State policies on clients, services, and costs, controlling for a variety of other variables, including local economic conditions, characteristics of the JTPA-eligible population in each local area, and variations in the roles played by PIC members and LEOs. Second, we examined the impact of several SDA design decisions on the types of clients served including procedures to recruit and enroll different type of clients, criteria for selecting clients, the type of service providers used, and the type and terms of contracts. We then examined the influence of performance-standards policies on those design decisions.

The analysis of the impact of performance-standards policies showed that several dimensions of State performance-standards policies do significantly affect the extent to which SDAs serve members of hard-to-serve groups and the types and average duration of JTPA services provided in the local area. Policies that increase service to hard-to-serve clients in JTPA include the following:

- Use of the DOL adjustment model significantly increases the percentage of both adult welfare recipients and dropouts served. Use of the adjustment model also significantly increases enrollment of youth with "other barriers to employment" (that is, offenders, handicapped individuals, and limited-English speakers).
- State policies on adjustments beyond the model have less consistent effects but increase services to adult minorities and increase services to

youth welfare recipients and minorities.

- State policies on use of 6% for hard to serve (setting aside 6% funds for services to hard-to-serve groups, requiring that some 6% funds be used to serve hard-to-serve groups, or exempting 6%-funded projects from the performance standards if they are used for hard-to-serve groups) increase service to adult welfare recipients and to adults with "other employment barriers" but decrease services to women. For youth, these policies increase enrollment of welfare recipients and in-school youth.
- State policies encouraging services to specific client groups (a formal policy statement or a 6% policy that rewards service to a particular group) are effective in increasing enrollment of welfare recipients, dropouts, and older adults.

Policies that decrease service to hard-to-serve clients in JTPA include the following:

- Incentive policies that emphasize exceeding standards include (1) reserving most of the incentive awards for substantially exceeding standards, (2) having SDAs compete for 6% funds by comparing performance levels across SDAs, (3) not "capping" the performance level beyond which additional incentives would not be earned, and (4) requiring a large number of standards be exceeded to qualify for incentive awards. These policies significantly reduce service to welfare recipients and minorities for both adults and youth and reduce service to older adults and in-school youth.
- Placing greater weight on the cost standards reduces service to adult welfare recipients and adult dropouts. For youth, this practice was estimated to reduce services to welfare recipients, dropouts, and youth with other barriers to employment.

These results indicate that some State policies have their intended effects but that the incentive policies in some States are unintentionally reducing service to some hard-to-serve groups.

State performance-standards policies also influence the types of services offered in JTPA programs, including the relative emphasis on types of program activities and the average duration of JTPA services.

Several State policies are generally associated with more intensive or longer term services:

- Adjustment procedures. Use of the DOL model significantly increases the length of adult programs and reduces the amount of job-search assistance provided to youth. State policies that specify procedures for additional adjustments significantly increase provision of basic skills training to youth and reduce job-search assistance, although they have an unexpected negative impact on the length of participation.
- State policies for hard-to-serve groups. State policies for serving welfare recipients significantly increase the amount of basic skills training offered for both adults and youth and reduce the amount of on-the-job training (OJT), significantly so for adults. Policies for serving dropouts significantly increase the average length of services for adults and youth, but policies for serving dropouts also increase the provision of job-search assistance, reducing OJT for adults and work experience for youth.
- Placing greater weight on the wage standard. Policies emphasizing the wage standard significantly increase

provision of classroom training in occupational skills and reduce OJT for adults.

State policies that were found to reduce service to hard-to-serve groups also affected program services. These policies generally either reduced the intensity of services or increased the employment focus of the program. These policies include the following:

- Emphasis on exceeding standards. State policies that emphasize exceeding standards lead SDAs to provide less basic skills training and more classroom training in occupational skills for both adults and youth. For youth, these policies also reduce pre-employment/work maturity training and reduce the average length of program participation.
- Placing greater weight on the cost standards. State incentive policies that place greater weight on cost standards reduce the average length of services for adults and increase the provision of pre-employment/work maturity training for youth.

Finally, State performance-standards policies appear to have fewer effects on program costs than on clients or services:

- Adjustment policies. Use of the DOL models has no significant effects on program costs, although State procedures to allow for adjustments significantly increase the amount spent per terminee for both adults and youth.
- Emphasis on exceeding standards. State policies that emphasize exceeding performance standards increase costs per terminee, significantly for adults, although not cost per entered employment or cost per positive termination. Thus, these policies lead SDAs to enroll less hard-to-serve clients but to provide them with more classroom training in occupational skills, the most expensive service.
- Placing greater weights on cost standards. The weights placed on the cost standards do not significantly affect costs per terminee or SDA performance on the cost standards.

One reason that the quantitative results are smaller for costs may be that there is serious noncomparability of reported costs across SDAs. Some SDAs extensively leverage JTPA resources with funds from other programs, as discussed in the qualitative analysis.

The second phase of the quantitative analysis examined the mechanisms through which the State performance-standards policies influenced SDA behavior. In the first step of this examination, we examined the influence of a variety of SDA implementation practices on clients, services, and costs. In the second step, we examined the relationship between the State performance-standards policies and those SDA practices that appear to influence clients, services, and costs.

SDA policies and practices that were found to affect the types of clients served by JTPA include the following:

- PIC influence. PIC influence per se does not reduce service to the hard to serve. The results suggest that PICs that see their role as guiding the design of the program are associated with greater enrollment of the hard to serve while PICs that are more involved in contracting are associated with less service to some hard-to-serve groups.
- Enrollment criteria. SDAs that use objective basic skills or educational criteria serve more hard-to-serve clients, probably because these criteria are used to slot participants into appropriate activities. In contrast,

SDAs that use subjective judgments, require previous work histories, or accept "reverse referrals" from employers for OJT slots serve significantly fewer hard-to-serve clients.

- Service-provider arrangements. The use of community-based organizations (CBOs) as service providers is associated with greater service to several hard-to-serve groups, including both adults and youth dropouts. The percentage of expenditures in performance-based contracts does not reduce service to hard-to-serve groups, although there is a weak pattern that setting stringent contract terms reduces the service to some hard-to-serve groups in JTPA programs. SDAs that vary the terms of their contracts serve significantly more adult welfare recipients and dropouts.
- Program services. The types of program services offered by SDAs have a strong influence on the types of clients enrolled in JTPA programs. Basic skills remediation has the strongest association with enrollment of hard-to-serve groups, followed by classroom training in occupational skills, then job-search assistance. SDAs that provide more OJT tend to serve significantly fewer hard-to-serve clients.

After identifying the different effects that these various SDA designs and implementation practices have had on client outcomes, the quantitative analysis examined whether the practices themselves were related to variations in State performance-standards policies. The findings are consistent with the overall relationships between State policies and client patterns and help elucidate the mechanisms by which these relationships are realized.

SDAs in States that use the DOL model, which was positively associated with services to hard-to-serve clients, were less likely to use subjective judgments as enrollment criteria or to allow employers to preselect OJT trainees, two practices found to discourage services to hard-to-serve clients. Furthermore, SDAs in these States were more likely to target both youth and adult services to welfare recipients and groups with other barriers to employment.

SDAs in States with specific policies encouraging services to welfare recipients were more likely to establish procedures to recruit welfare recipients for both adult and youth participants. On the other hand, the local decision of whether to target dropouts was not significantly affected by State policies encouraging service to dropouts.

SDAs in States with policies that emphasize exceeding the standards, which were associated with reduced levels of services to hard-to-serve groups, were more likely to use subjective judgements about the likelihood of completing as a client enrollment criterion, which was also associated with reduced levels of services to hard-to-serve clients. These SDAs also made increased use of for-profit providers, which reduced the levels of service to some hard-to-serve groups. Furthermore, SDAs in States with a strong emphasis on exceeding the standards used more performance-based contracts with higher "holdbacks" for placements and higher wage rates. It is not clear from the quantitative analysis that these last two practices had a direct impact on clients served by the JTPA program, although higher required wage rates did appear to discourage services to some hard-to-serve groups.

SDAs in States that give greater than average weight to the cost standards, which was associated with reduced services to hard-to-serve groups, also were more likely to allow employers to make prescreened referrals of clients for OJT slots and were less

likely to use special procedures to recruit welfare recipients into the JTPA program.

Overall, these results indicate that performance-standards policies affect the types of clients served, in part through their influence on the types of services offered and in part through their influence on SDA enrollment and contracting practices.

The results of the quantitative analysis indicate several State performance-standards affect SDA decisions about whom to serve and the types of services to provide. These results are statistically reliable and have important policy implications. Nonetheless, the effects of these policies are not large. These policies do not preclude service to the hard to serve or prevent provision of intensive services. Rather, these policies affect SDA tradeoffs at the margin.

Results from the Qualitative Analysis

The analysis of the qualitative case study data examined how and why the 30 case study SDAs varied in their reactions to the performance standards. In tracing the effects of the Federal and State performance-standards policies facing each SDA, we examined several elements of SDA program-design and implementation decisions: (1) the development of client goals and SDA plans for services to particular groups; (2) the development of overall service designs, including what services to offer, how much of each service to provide, how intensive to make each service, and how services relate to each other in the development of service plans for individual clients; and (3) the design of management practices for selecting service providers and overseeing program implementation. Within each of these program elements, we used the case study data to address questions about how the performance standards influenced SDA and service-provider decisions, how the performance standards interacted with other factors, and how the resulting SDA practices influenced clients, services, and costs.

Effects on Local Program Objectives. *There was considerable variation both in the extent to which the performance standards influenced local performance goals and in the ways that standards produced these effects.* About one-third of the case study SDAs had a goal of meeting the standards and "staying out of trouble" (that is, avoiding sanctions). Another one-fourth of the SDAs indicated a goal of exceeding the standards slightly, to have a performance safety margin and to realize some incentive awards. The remaining sites indicated a goal of performing at as high a level as they could on the standards, primarily because it was important to maximize their potential incentive awards. Pride was also mentioned by all types of SDAs as an important incentive to perform at or above the level of performance standards.

The relative importance of the performance standards in shaping local goals and priorities was conditioned in part by the importance to the SDA of receiving the maximum amount of incentive funds. Some SDAs placed high priority on receiving funds because they viewed them as compensating for shrinking 78% allocations and tight administrative limits. Others valued the awards for their public relations value. Still others used the awards to undertake projects that they could not fund with 78% money, such as projects serving high-risk clients or marketing or outreach projects that only indirectly contributed to outcomes.

Several typologies of responses to the performance standards help explain the variations in how the performance standards influenced clients, services, and costs within the case study sample. Client-oriented SDAs gave priority to their client objectives and oriented their program-design and management decisions around how this would affect their client goals. Employer-oriented SDAs gave priority to designing and implementing a service mix that would train individuals for jobs in demand in the local labor market. Per-

formance-oriented SDAs gave priority to meeting or exceeding the performance standards (or other State or local performance measures). These were SDAs without strong employer or client goals to counterbalance their goals to exceed their performance standards.

Some client-oriented or employer-oriented SDAs were indifferent to the standards when they designed their programs, either because they did not care if they met the standards or because the standards were so easy to meet or exceed. Others adopted risk management strategies that enabled them to meet their performance goals while still furthering local client and service objectives. Performance-oriented SDAs tended to adopt risk avoidance strategies that increased the likelihood that they would meet the performance standards by avoiding hard-to-serve clients or adjusting the service mix for reasons that were standards oriented.

Finally, SDAs varied in the extent to which the SDA assumed responsibility for meeting its performance goals, shared that responsibility with service providers, or passed on the primary responsibility for performance to the service-provider level.

In balancing these different goals, the performance standards played an important role in some SDAs and a minor role in others. Only a few SDAs in the case study sample purely relied on "risk avoidance" rather than "risk management" in their response to the performance standards. *Most SDAs could meet their performance goals without having to resort to a major revision of other program goals.*

Effects on Client Goals. The qualitative analysis suggested that the *performance standards do not influence SDA client goals directly but rather influence clients served through their influence on SDA service designs and implementation practices.* Other factors that did influence client goals included (1) State equitable-service requirements and State policies for serving specific hard-to-serve groups; (2) the 40% youth expenditure requirement; and (3) the characteristics of the applicant pool, which were strongly influenced by environmental factors beyond the SDA's control, particularly the local unemployment rate.

Moreover, the case studies demonstrated that the *performance standards did not prevent SDAs that had a strong commitment to serving hard-to-serve groups from targeting and serving those groups.* Welfare recipients and dropouts were served out of proportion to their incidence in the population in a number of SDAs. Strategies for serving these clients included (1) designing special training classes that integrated remediation and world-of-work orientation with occupation skills curricula, (2) leveraging other JTPA funds (for example, 8% and 6%) or non-JTPA funds (for example, State funds and foundation funds), (3) targeting employers that offered health benefits, and (4) making explicit tradeoffs to balance services to hard-to-serve clients with less expensive services to other groups to enable the SDA to meet its performance requirements. In addition, groups with other barriers to employment (the handicapped, offenders, and limited-English speakers) were targeted for services by some SDAs. These groups were usually served in special programs operated by providers with a history of working with these groups.

Despite this general pattern, *some SDAs that were highly motivated to exceed their standards were influenced by the performance standards to develop "risk avoidance" strategies.* These SDAs tended to address the needs of some subset of eligible applicants that did not include those with the greatest barriers to employment.

Effects on Program Services and Costs. Performance standards had slightly more influence on the service mix offered to adults by SDAs. A few SDAs mentioned the

standards when explaining their emphasis on OJT rather than classroom training. However, at least equally important influences on service mix were (1) the SDA's historical pattern of service delivery, as evolved from the Comprehensive Employment and Training Act (CETA) program; (2) the SDA's intentions about serving different client groups; and (3) PIC preferences about what services to emphasize in the SDA's service package.

SDAs exhibited wide variation in the intensity and duration of JTPA services. In addition, the costs of JTPA services varied dramatically among SDAs, and average cost figures often disguised tremendous variation within an SDA in the duration and intensity of services received by different participants. *The cost standards had some influence on this aspect of service design, because SDAs often wanted not only to meet but to exceed these standards to maximize their incentive awards.* For the SDAs that were highly motivated to "overperform" on the standards, the standards influenced them to design service programs that had short durations, yielded high entered-employment rates, and resulted in low unit costs. Thus, in these SDAs, the initial reaction to the standards was to emphasize quantity over quality. A number of these SDAs are beginning to shift toward more intensive services, however, partially in response to the implementation of the follow-up standards.

However, other factors were equally as important in determining the intensity and duration of services. These included (1) the availability of other funds to supplement Title II-A funds in purchasing services to benefit Title II-A enrollees, (2) the cost of the various service packages available from the service providers in the SDA, (3) the SDA's goals about the types of clients it wanted to serve and the intensity and types of services those clients required, and (4) the desire to spread JTPA funds over as large a client pool as possible.

There were two reasons why SDAs were very concerned about reducing average JTPA costs. A majority of SDAs visited were experiencing declining JTPA allocations (due to declining unemployment rates), which required a decision about whether to serve a smaller volume of participants and keep the average cost of services stable or to try to serve as many participants as possible by cutting back the average cost of the services received. Almost universally, the SDAs visited had decided to try to reach as many individuals as possible, without diluting the service intensity beyond reason.

The second reason for an emphasis on cost reduction was the SDAs' desire to exceed the cost performance standards. Although the vast majority were in no danger of missing these standards, the emphasis on overperforming grew out of a desire to maximize their incentive awards.

The existence of performance standards for youth did not seem to affect the extent of SDA resources devoted to youth programs per se. Performance standards did, however, affect SDA decisions about serving in-school versus out-of-school youth. There is an intensive debate among and within SDAs about the extent to which JTPA programs should be offering employment-oriented or competency-oriented training. SDAs that chose to emphasize competency-oriented services found it difficult to meet their entered-employment-rate standards while those emphasizing employment-oriented programs found it difficult to meet their positive-termination-rate standards.

Nonetheless, local goals about whether to run employment-oriented or competency-oriented programs for youth, as well as the Federal requirement to spend 40% of JTPA funds on youth, appeared to have greater influences than the standards. However, a number of SDAs had instituted a youth employment-competency system to meet their posi-

tive-termination-rate standards.

Effects on Management Practices. SDA management practices were designed to further a variety of management goals, including ensuring (1) that the planned mix of clients was actually served, (2) that the planned mix of services was actually provided, (3) that each client was referred to appropriate services, (4) that service providers enrolled clients that were appropriate for that service and had a reasonable likelihood of success, (5) that costs would be kept within reasonable limits, and (6) that the desired performance levels would be achieved.

To further their management goals, SDAs instituted a number of practices for enrollment and assignment to services, placement, and selection of service providers. Some of these practices grew out of their approach to the performance standards.

Most of the SDAs visited maintained centralized control over the outreach, assessment, and referral of clients to service components, with a smaller number leaving responsibility for these services to service providers. *Contrary to expectations, the enrollment of hard-to-serve clients was not correlated with the SDA's control over enrollment;* SDA and service-provider goals about serving the hard to serve seemed to be more important than who controlled enrollment.

Some SDAs protected themselves against the risk of serving hard-to-serve individuals, however, by delaying enrollment until after some services had been delivered to avoid having to include early dropouts in their statistics.

Performance standards did affect SDAs' service-provider arrangements. *In particular, service providers' past performance often influenced the size of their contract in the next funding period. However, a number of additional factors influenced provider selection and retention, often more strongly than the performance standards per se,* including the availability of alternative service providers, the characteristics of the local economy, the amount and categories of services that the SDA contracted out, and the goals and philosophy of the PIC or SDA.

Two-thirds of the case-study SDAs had some current performance-based contracts. *Although the performance standards were a factor in the spread of performance-based contracting among the case study SDAs, the 15% administrative limit was at least as important;* this was especially true in the context of declining Title II-A allocations.

Among performance-based and cost-reimbursement contracts alike, the great majority incorporated performance criteria as either requirements or goals. In about half of the case study SDAs, contracts built in the SDAs' standards (usually with a "cushion") directly. Most of the others varied key contract terms among their providers but took care that, aggregating across the providers, they met or exceeded the SDA's own standards. *Providers facing high-placement expectations, high-wage goals, high-placement holdbacks, and caps on maximum service duration were inclined to be cautious about the clients they would accept.* If high-percentage-holdback contracts become more prevalent, "riskier" clients, who have more severe employment barriers, may be more likely to be screened out of service programs.

Contract terms should not, however, be understood as simple outgrowths or reflections of the standards. Many of the key features of these contracts predate JTPA programs, as does the use of performance-based contracts in several of the case study SDAs. The relationship between contract terms and the SDA's performance standards was affected by several factors. These included how difficult a given SDA found recruiting and retaining clients, the relative employability of available clients, the availability of alternative service providers, the status and direction of the SDA's Title II-

A allocation, its access to non-JTPA funding, and the philosophy and goals of the PIC and the SDA staff. Finally, even when the form of performance-based contracts is a recent development, they often essentially continue the mutual expectations that an SDA and a provider had developed in earlier years.

Service providers varied in their reactions to the performance expectations placed on them by the SDAs. In a few cases, contractors faced pressures to perform at high levels, which caused greater caution in client selection. Most providers, however, had a commitment to serving hard-to-serve clients, and their contract terms gave them enough flexibility to meet that commitment.

For the most part, the management practices found in the case study SDAs are consistent with "risk management" strategies rather than "risk avoidance" strategies. That is, using these practices to safeguard performance levels, SDAs could and did serve difficult clients under the JTPA program while attaining their performance goals.

Implications for the Performance-Standards System

The findings of this evaluation indicate that the performance standards do not preclude SDAs from enrolling hard-to-serve clients or from providing intensive services. Nonetheless, the results of this evaluation also indicate that not all aspects of the performance-standards system are working as intended and that some policies have important unintended effects. In this section, we examine the implications of the results for both Federal and State performance-standards policies.

Federal Policies

Choice of Performance Measures.

Cost Measures. The JTPA legislation mandates that cost standards be included as Federal performance standards. Both the quantitative and qualitative results, however, indicate that the cost standards had the most unintended effects and were the least comparably measured of all the Federal standards. There were unintended effects on both clients and services: States that placed a high weight on the cost standard lead SDAs to serve fewer welfare recipients and dropouts; in our case study sample, some SDAs concerned about exceeding their cost standards designed short-term, less intensive services.

The measurement problems in the cost standards were also serious. SDAs that were able to leverage JTPA Title II-A funds with other program funds or that were able to rely heavily on service providers with alternative funding sources had much lower measured costs than those SDAs that relied solely on Title II-A resources to train their participants. Some quantitative results supported this finding, and our case studies found dramatic differences in the leveraging of JTPA funds. As a result, basing incentive payments on the cost standards probably rewards differences in the local availability of other training resources as much as differences in management quality.

Clearly, cost-effectiveness is an essential goal of any program, and an increase in the extent of leveraging, which reduces redundant services, may be a desired effect of the cost standard. Nonetheless, we found that many SDAs were already very concerned about costs because of a strong desire to serve as many participants as possible with limited (and often declining) JTPA funds.

The results of this evaluation suggest that alternatives to the cost standards should be explored. Out of concern for the unintended effects of the cost standards, DOL set much more lenient costs standards for PY 88. This policy is not likely to be effective, however, in States that strongly emphasize exceeding, not just meeting, standards, particularly when the cost standards are weighted more heavily. An alternative that requires legislative changes would be to set maximum costs per entered employment (or positive termination)

that SDAs could spend but not to base incentive payments on cost standards. In effect, this policy would treat costs as a compliance rather than a performance-standards issue.

Youth Measures. The only other problem in the choice of measures was a less serious concern raised about the youth measures. SDAs were generally confused about how to manage the youth programs to meet both the entered-employment-rate and positive-termination-rate standards. Because the goals of in-school and out-of-school programs were so different, SDAs that emphasized one type of service often felt pinched by at least one youth standard. One possible solution is to set separate standards for in-school programs and out-of-school programs so that the SDAs' choice of program mix would not affect their ability to meet the youth standards.

A related issue is the inclusion of youth employment competencies in the positive-termination measure. Although evaluating the quality of the competency systems was beyond the scope of this study, we found that a substantial majority of the case study SDAs had made a conscientious effort to establish meaningful systems. However, many SDAs reported that they would not have adopted the competency-based approach in the absence of the positive-termination-rate standard. Thus, SDAs naturally tended to develop systems that would reflect well on the programs that they were running. Despite the temptation to implement a superficial youth employment competencies (YEC) system, only 2 of the 30 case study SDAs had adopted a "quick and dirty" competency system, and 1 of those used it only as a back-up outcome for their employment-oriented youth services.

Level of Standards. The results of this evaluation do not indicate the need for changes in the general levels at which performance standards are set. The low levels of most standards generally allow SDAs to meet the standards and design their programs for local needs, while providing a clear incentive for good performance. The only exception is a concern among a number of SDAs that the positive-termination-rate standard is too high for serving very at-risk youth, many of whom may drop out of the program.

DOL Adjustment Models. The use of the DOL adjustment models appears to be very effective in increasing service to hard-to-serve groups and in increasing the length of adult services. These models, therefore, appear to have their intended effects of holding SDAs harmless for their local decisions of whom to serve in JTPA programs.

The models adjust for characteristics of clients served and the length of services, as well as local economic conditions. The models do not, however, adjust for the types of services offered. This evaluation has found that the types of services offered significantly affect the types of clients enrolled in JTPA programs and that some of the unintended effects of performance standards, particularly the cost standards, are to reduce the provision of intensive services. Furthermore, we found that the types of services significantly affect program costs, with classroom training in occupational skills and basic skills remediation costing considerably more than job-search assistance.

Because the adjustment models are effective tools in holding SDAs harmless for local decisions, these results imply that serious consideration should be given to including some adjustments for program activities in the models for the cost standards. In particular, adjusting for basic skills remediation would enable SDAs to spend more money when they include basic skills remediation in their service package.

Technical Assistance. The evaluation findings suggest that additional technical assistance from DOL could be used to improve the effectiveness of the performance-standards system. First, DOL could provide assistance to States to develop their full

leadership potential in setting client and service priorities for their SDAs and to develop performance-standards policies consistent with those goals. Second, DOL could provide additional assistance to SDAs to develop strategies to balance performance goals with other client and service goals. Third, although there is a moderate level of understanding of the adjustment model, many SDA respondents felt unsure that they fully understood how the process worked. Given how important the model is in encouraging service to the hard to serve, DOL efforts to improve understanding of the model should increase the intended effects of the model.

Reporting. We found very little evidence that the Federal reporting requirements necessary to support the adjustment models were a burden to SDAs, providers, or participants. Most of the information required was information that the providers needed to manage their programs or for equal-opportunity documentation. Furthermore, most SDAs maintained computerized participant-level data bases (often supported by the State), so preparing reports on participant characteristics was not difficult. In fact, some respondents indicated that the greatest burden was the delay in issuing the JASR revisions because of the prolonged negotiations between DOL and the Office of Management and Budget (OMB).

However, two reporting practices reduced the comparability of the performance measures. First, SDAs typically delayed enrollment of participants until after an orientation period so that individuals who dropped out early were not enrolled. This pre-enrollment period usually lasted 3 to 5 days, but in some SDAs went on for several weeks. We found that SDAs with longer pre-enrollment periods have significantly higher measured-entered-employment rates. These results suggest that some monitoring of this process at the State or Federal level would increase the comparability of measured performance.

Second, as discussed above, the fact that many SDAs leverage JTPA funds with other resources substantially reduces the comparability of the cost standards. The problem cannot be rectified by reporting requirements because SDAs would find it very difficult to estimate the value of other resources (for example, the State subsidy to community colleges).

State Policies

State Performance Standards. States are increasingly adopting State performance standards to further their goals for the JTPA system. The study demonstrated that States can affect the direction of the JTPA program by implementing State performance standards to supplement the Federal standards. In particular, State standards for service to target groups furthered the State's client priorities for the JTPA program. The success of these policies should encourage other States to attempt to play a leadership role if they desire to do so.

Additional Adjustment Procedures for the Federal Standards. Although the effects are not entirely consistent, the quantitative results suggest that State policies that specify procedures to obtain additional adjustments beyond the model do increase service to some hard-to-serve groups and encourage provision of basic skills remediation to youth. However, in our case studies, we found that both State and SDA staff were not particularly comfortable with the adjustment process as it now exists. State staff felt unsure about how to establish equitable criteria for adjustments beyond the model and about how to determine the appropriate size of adjustments. SDA staff often felt that they did not understand the statistical basis of the models well enough to justify adjustments. In addition, some staff felt that requesting adjustments was admitting failure and, particularly when SDAs competed for funds, that it was not fair to "go begging."

One SDA director suggested an alternative process that he felt would be more acceptable. Specifically, he suggested that SDAs be allowed to request waivers from the performance standards for projects that met well-specified criteria, for example, for starting up a program for high-risk clients. This would be more acceptable, he said, because the standards for the remaining projects would not be affected, so that all SDAs would still be abiding by the same rules.

Hard-to-Serve Policies. State policies to encourage service to hard-to-serve groups include additional State performance standards, integrating service to hard-to-serve groups into the calculation of incentive payments, and identifying priority groups. The evaluation indicates that States can play an effective leadership role in focusing JTPA programs on the needs of particular hard-to-serve groups through a variety of incentive awards adjustments, in addition to the implementation of special State standards.

Incentive Policies. The JTPA legislation requires that incentive payments be awarded based on the extent to which standards are exceeded. States policies vary widely in how that requirement is implemented. Policies that place a strong emphasis on exceeding standards are found to lead SDAs to reduce service to hard-to-serve groups, reduce provision of basic skills remediation, and increase the employment focus of both the adult and youth programs. These are largely unintended effects of both the legislative requirement and of the specific State policies. The results of this evaluation strongly suggest that these policies should be re-examined.

Another important aspect of incentive policies is the weight placed on each standard. High weights on the cost standard were found to reduce service to welfare recipients and dropouts. States that equally weight the percentage by which each standard is exceeded implicitly give substantially greater weight to the cost standards because costs are more variable among SDAs. These policies should also be re-examined.

The case studies also indicate that incentive payments are very important to SDAs because of two other Federal policies. First, the allocation formula bases funding on the unemployment rates. Incentive payments help SDAs cushion the decline in JTPA funding brought on by an improving economy. Second, many SDAs are squeezed by the 15% limit on administrative costs. Because 30% of incentive funds can be used for administrative costs, these funds are particularly valuable to many SDAs.

Sanction Policies. Many States have not developed specific policies for sanctioning SDAs for poor performance, and even when these policies are in place, States are reluctant to enforce them. The threat of reorganization has little effect on SDA behavior.

Technical Assistance. The study findings suggest that SDAs would benefit from additional State technical assistance to clarify the State's intention in designing its performance-standards policies and to discuss how the performance standards should interact with other client and service priorities in furthering JTPA program priorities.

Conclusions

1. **The performance standards need to be balanced by local client and service goals to provide a useful guide to managing JTPA programs. If taken as the sole statement of program goals, the standards can lead to unintended effects of reducing service to hard-to-serve groups and decreasing the intensity of JTPA services.**

The study found that States, SDAs, PICs, and many service providers express strong support for the idea of cost-effectiveness and accountability for outcomes as an important part of the JTPA program. When SDA staff talk about the effect that performance stand-

ards have had on the design and operation of their programs, they generally do not question the premise that they should be accountable for program outcomes.

The idea of performance accountability, however, has been embraced by some individuals in the JTPA system to the extent that performance goals sometimes receive more emphasis than other program objectives, such as client priorities and goals about what types of services to offer. The absence of clear client and service goals in some States and SDAs is unfortunate, because it can result in performance goals receiving undue emphasis. Performance standards had some unintended effects of reducing service to the hard to serve and decreasing the intensity of services only in SDAs without well-defined client or service goals.

In general, however, the performance standards are not preventing SDAs from pursuing their local client and service goals and are not dramatically altering the types of clients served by JTPA programs or the types of services being offered.

2. **Although the performance-standards system as a whole appears to be working, the cost standards are more problematic than the other standards. Reducing the emphasis on the cost standards would reduce unintended impacts of the standards.**

The Federal cost standards have the most unintended effects and are the least comparably measured of all the Federal performance measures. In addition, SDAs in States with incentive policies that emphasize performance in excess of the standards often find that reducing costs is the easiest and most dramatic way to perform beyond their standards.

Thus, concerns about exceeding the cost standards tend to reduce the average intensity of services offered by some SDAs. These findings suggest that alternatives that reduce the emphasis on the cost standards should be explored.

3. **State incentive policies have unintended effects and need to be re-examined. States should be assisted in developing policies that enable them to fulfill their potential of providing leadership to the JTPA system.**

The State incentive policies that encourage SDAs to perform as high as possible on all the standards have unintended effects. The quantitative analysis showed that these policies have modest but consistent effects of reducing service to hard-to-serve clients and reducing the provision of expensive program services, such a basic skills remediation.

Because these impacts are probably not intended, States should carefully review their performance-standards policies. One solution may be for States to establish more explicitly client priorities in their performance-standards policies. Another solution may be for States to develop policies that are more neutral in their effect on SDA client targeting decisions and service design choices.

Solutions should be explored to permit States to reward SDA performance that is "exemplary" rather than "average" while avoiding unintended effects on clients and services.

4. **The youth standards are currently influencing SDA decisions about client targeting and program design. One change that would reduce unintended standards impacts would be to establish separate standards for in-school and out-of-school youth.**

There is intense debate within and among SDAs about whether youth programs should be oriented toward immediate employment or toward employment-competency outcomes. We saw no signs of an emerging consensus on this issue.

The performance-standards system requires SDAs to report both employment and employment-competency outcomes for all youth participating in the JTPA program.

This compromise, however, has not been completely satisfactory from the SDAs' perspective. SDAs that emphasized services to in-school youth often found it difficult to meet the youth entered-employment-rate standard, while SDAs that emphasized employment-oriented services to youth who have left school often found it difficult to meet the youth positive-termination-rate standard.

Although most SDAs have developed program designs that enable them to meet the youth performance standards, there is little enthusiasm and considerable confusion at the SDA level over the youth standards. One change that might increase local discretion would be to establish separate standards for in-school youth and out-of-school youth.

Recommendations of the Commission

The National Commission for Employment Policy believes that this report is an extremely valuable contribution to research on the Job Training Partnership Act (JTPA), and one whose findings have implications that go well beyond the scope of this project—to determine the impact of performance standards on clients, services, and costs. Insights gained from the comprehensive analysis of both quantitative and qualitative data call for actions from national, State, and local policymakers that are not limited to performance standards. Therefore, the Commission's recommendations include both general ones as well as specific recommendations concerning changes to the performance management system itself.

General Recommendations

National Policy

The Act balances legislative and Federal objectives for the program with local discretion designed to allow the program to meet local needs. The Commission believes that targeting of JTPA programs works very well but that the Congress must be very clear about who the Act is intended to serve while maintaining the balance between national objectives and local discretion. Further clarity may be needed in defining the three major target groups mentioned in the Act—welfare recipients, dropouts, and youth. For example, with respect to welfare recipients, since legislation affecting both the welfare system and JTPA's service to welfare recipients has been under consideration by the Congress, it may be timely to clarify that long-term welfare recipients (those receiving welfare for 2 years or longer) are the welfare recipients best served in JTPA programs. In the area of dropouts, it may be necessary to define dropouts as youth (since the lack of a high school credential, for a youth more so than for adults with work experience, is a significant barrier to employment). For all dropouts, basic skills deficiencies appear to be more of a barrier to full workforce participation than educational status.

Probably more than any other vehicle, performance standards have been used to

transmit national policy in JTPA programs. Sometimes these signals, transmitted through the choice of performance measures and national standards, have not always been clear to State and local program managers. Recently, much progress has been made in using performance standards to reinforce already stated policy goals and objectives.

However, we believe that performance standards should reinforce policy, not establish policy goals. *The Commission recommends that the Department of Labor clearly articulate (1) policy objectives for the program apart from performance standards, (2) specific policy on the provision of basic skills for both youth and adults, (3) objectives about the intensity of training (and the type of training appropriate for JTPA participants) that are desirable, (4) appropriate outcomes for both in-school and out-of-school youth, and (5) objectives concerning the State role in promoting such objectives.*

The Department of Labor needs to give additional attention to the collection of and definition of data elements to support policy objectives and work with the Office of Management and Budget to implement a more carefully defined management information system.

State Policy

This report has provided new insight into the role of States in the performance management system. As the report indicates, State policies can either promote or dissuade PICs and SDAs from providing intensive service to the hard to serve. The Commission believes that better use can be made of these policy tools through the goals and objectives detailed in the Governor's Coordination and Special Services Plan, through incentive award policies for exceeding performance standards, through sanctions for failure to meet performance standards, and through the use of incentives for serving the hard to serve as specified in Section 202 (b)(3)(B) of the Act. *The Commission recommends that States improve their incentive policies to promote the provision of service to those clients deemed to be most in need.* One particular mechanism to achieve a clearer focus on the hard to serve is through better use of incentives for serving the hard to serve.

Local Policy

The Commission is concerned that one partner in the Act, the service provider, is still largely overlooked in the performance management system. Since JTPA services are often provided by entities other than the administrative entity, we are concerned that contractors need to be included in both the risks and the rewards of programs. *The Commission recommends that PICs develop reward systems built into contracts for service providers who are successful in providing intensive service to the most in need in the JTPA population, particularly for welfare recipients and dropouts, as well as other groups the PICs target for service.*

Specific Performance Management Recommendations

The Commission calls attention to the fact that all recommendations made here are provided based on the performance management system in place during PY 86-87 without the benefit of analyzing the effect of the implementation of post-program performance measures and standards. This report notes a fair degree of support for measuring the employment and earnings of individuals after they leave JTPA programs, but since no standards were in place during the year of this study, we could not directly assess their effect on who is served, the type of service, or the cost of such service.

We do believe, however, that most of the recommendations offered here will apply once post-program standards have been fully implemented into the JTPA system.

Choice of Measures

1. The Commission strongly supports the concept of cost-effectiveness inherent in per-

formance standards and recognized in the Act but believes that too much emphasis on efficiency measures (in this case two performance standards dealing with cost) may have had the unintended effect of precluding the attainment of effective programs to meet the goals of the Act. We are also concerned about the comparability of the cost information across programs. JTPA programs have made great strides in leveraging the resources of other systems to serve the economically disadvantaged; however, this may mean that the actual cost of serving some clients is underreported in some programs.

Therefore, *the Commission recommends that Section 106 (b)(4), which requires the Secretary to prescribe performance standards relating gross program expenditures to various performance measures, be amended to direct that cost-efficiency be monitored by States.*

2. The Commission endorses the concept that employment is the major objective of the Act and believes that the Act wisely emphasizes increases in employment and earnings as major goals. However, the Act also recognizes the importance of outcomes other than employment for youth—namely, the attainment of youth employment competencies; completion of major levels of school; and enrollment in other training programs.

As the report's findings indicate, one of the intended effects of performance standards for youth that was realized was the development of programs to enhance a young person's future employability through the attainment of youth employment competencies. While the Commission favors this approach to youth programs, we are concerned about the continuing problems in the youth measures. The Commission endorses preserving local programs' discretion about the relative emphasis of serving in-school and out-of-school youth. The new youth measure introduced for PY 88 will not fully address the differing goals of in-school programs that focus on improving basic skills competencies and dropout prevention strategies and out-of-school programs that should focus on employability development (particularly in the area of basic skills) for youth for whom the final outcome is employment. *The Commission therefore recommends that the Department of Labor develop separate reporting for in-school and out-of-school youth programs and develop appropriate outcomes for both.*

Exceeding Performance Standards

The evaluation of the effect of performance standards also points to another area of concern in the legislation that we believe requires remedy. Section 202 (b)(3)(B) of the Act directs the Governor to provide incentive awards for programs "exceeding performance standards." As indicated in this evaluation, this language may have had the unintended effect of promoting overperformance and setting up competition among SDAs for incentive funds at the expense of some clients and services that might otherwise be offered for the hard to serve. One of the original principles upon which the performance management system was based is that SDAs should be judged against their own local circumstances, that is, economic conditions, characteristics of the population to be served, and so forth. *The Commission recommends that the Congress clarify its intent to promote service to the hard to serve by changing Section 202 (b)(3)(B) of the Act to provide for incentive awards based on "meeting" performance standards.* At a minimum, States should include provisions in their incentive policies that do not promote overperformance at the expense of service to the hard to serve.

The Commission believes that further discussion is needed about more specific guidance to the States concerning "incentives for serving the hard to serve." Therefore, *the Commission recommends that an amendment to Section 202 (b)(3)(B) be considered to re-*

quire States to provide such incentives.

Encouraging the Provision of Basic Skills

We are particularly concerned about encouraging the attainment of basic educational skills for both youth and adults. We have supported the efforts of the Secretary in emphasizing the role of training programs like JTPA in ensuring that basic skills remediation is a significant part of any employability program. The Commission is also interested in ways to provide incentives to JTPA program operators to link improvements in basic skills with occupational training and ultimately employment. One way to improve the performance management system's ability to do so may be to collect data that could be used to adjust standards or provide bonuses for programs that emphasize the provision of basic skills in addition to employment. *The Commission therefore recommends that the JTPA Annual Status Report be changed to include information for both adults and youth who, in addition to entering employment, attain basic skills while enrolled in JTPA progams (whether or not attained with JTPA funds).*

Adjustment to Standards

The Commission is pleased that the adjustment models used by the majority of States to establish local SDA standards have the intended effect of promoting service to some target groups for which employment may be more difficult to achieve (the so-called hard to serve); however, we are concerned that the use of any further adjustments does not seem to be an effective approach for a variety of reasons. JTPA programs must encourage innovative strategies to solve the difficult problems faced by those served under the Act. While we commend the Department of Labor's effort to promote additional adjustments, the Commission believes that it is time to consider alternative approaches.

We do not believe that enough work has been done in this area to suggest specific approaches, but some suggestions from recent Commission publications and from the work of other groups should be explored. These studies suggest utilizing incentive approaches rather than (or in addition to) the "hold harmless" approach currently used in the adjustment models. Some of the specific options that should be considered include the use of incentive funds for serving at-risk clients based on pre-enrollment criteria such as targeting individuals with limited prior work experience, with basic skills deficiencies, and who are long-term welfare recipients; and the use of waivers to performance standards to encourage innovative strategies for programs that serve the most at risk. A waiver could also be used for programs expected to transcend program years, thus promoting longer term programs when suitable for the hard to serve. *The Commission recommends that the Department of Labor explore such alternative approaches which may go "beyond the adjustment models" to promote positive incentives to serving individuals most at risk of future employment problems.*

Incentive Awards

The Commission is concerned that some incentive award policies have become so complex that they may be having the unintended effect of dissuading service from the hard to serve simply because the policies are difficult to understand. This report has noted a number of both positive and negative approaches currently in use by States that affect who is served, the type of service, and the cost of service. Translation of goals and objectives through the use of the incentive award system needs to be kept as simple as possible to have the desired effect on local programs. *The Commission therefore recommends that technical assistance be provided to States to ensure that incentive policies have the effect States intended and that States clearly reward service to clients most*

in need.

Technical Assistance

The Commission is pleased that, for the most part, PICs and SDAs have a fairly good understanding of the performance standards system, but we are concerned that a different strategy in the delivery of technical assistance is needed. The Department of Labor is to be commended for providing assistance on performance standards, including their development and ways to adjust standards. However, we are concerned that their technical assistance on standards does not sufficiently promote the policy objectives important to system-wide program improvement aimed at better preparation of the workforce. *The Commission recommends that future technical assistance efforts be focused on improving programs and developing innovative strategies targeted to long-term employment of the most in need. Performance standards should be included as one aspect of how to plan and manage programs.* Such a strategy should include PICs and service providers and must emphasize how to integrate program goals about who to serve and the types of service with performance expectations into contracts.

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